

Message Text

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ACTION EB-07

INFO OCT-01 NEA-09 ISO-00 XMB-02 FEA-01 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03 /083 W

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FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 1746

C O N F I D E N T I A L ALGIERS 0202

E.O. 11652: N/A

TAGS: EFIN, ENRG, AG

SUBJ: ALGERIAN GAS REINJECTION NEGOTIATIONS

PASS EXIM

REF: (A) ALGIERS 2833 (B) ALGIERS 0043

1. EMBOFF HAD A LONG TALK WITH HUDSON ENGINEERING CORP.,
A SUBSIDIARY OF MCDERMOTT ABOUT ALGERIAN GAS PROCESSING
AT HASSI-R'MEL.

2. HUDSON HAS SUBMITTED A BILLION DOLLAR PROPOSAL
TO SONATRACH FOR A GAS PROCESSING AND REINJECTION
FACILITY. THIS FACILITY WOULD HANDLE 60 BILLION
CUBIC METERS OF GAS A YEAR. TWENTY BILLION WOULD BE
PROCESSED FOR SALE AND 40 BILLION REINJECTED.

3. IN DECEMBER SONATRACH SHIFTED HUDSON FROM WORK
ON GAS PROCESSING PLANT IN DIRECT COMPETITION TO
PRITCHARD PROPOSAL REF A TO THE ABOVE DESCRIBED LARGER AND
MORE LENGTHY PROJECT. HUDSON OFFICIAL CONFIRMED
SONATRACH DISCUSSING SAME FIELD WORK FOR HASSI-R'MEL
AS REPORTED REFTTEL B PARA. 1. IF THEY REALLY

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PLAN TO HAVE CAPABILITY TO PROCESSING 120 BILLION CUBIC

METERS OF GAS A YEAR, SONATRACH IS PROBABLY PLANNING TO UTILIZE RESOURCES OF BOT CONCANAL AND HUDSON. NEITHER COMPANY IS CAPABLE OF DOING WHOLE JOB, BUT HUDSON IS NERVOUS THAT SONATRACH WILL OVERLOAD MEAGER FACILITIES AT HASSI-R'MEL.

4. CANADIAN EMBASSY REPORTS THAT CONCANAL HAS FULL FINANCING PACKAGE WHICH THEY OFFERED ALGERIANS IN DECEMBER. THIS IS SAID TO INCLUDE DOLS. 150 MILLION CANADIAN GOVERNMENT FINANCING. EMBOFF WAS DOUBTFUL TO HUDSON ON EXIM FINANCING, BUT EMPHASIZED ONLY EXIM COULD ANSWER FOR ITSELF.

5. HUDSON ENGINEER WAS NOT WORRIED ABOUT MERCURY IN HASSI-R'MEL GAS. HE SAID THEY HAD TECHNOLOGY TO CONTROL THIS PROBLEM IF SONATRACH WOULD ADMIT IT WAS A PROBLEM. MORE SERIOUS WAS SONATRACH'S TAKING SO MUCH GAS OUT OF FIELDS WITHOUT REINJECTION CAPABILITY. HUDSON TOO HAD HEARD OF MAJOR GAS FIELD PRESSURE PROBLEMS AT HASSI-MESSAOUD, REFTEL B. AS IN THE PAST HUDSON REPEATED DOUBTS OF SONATRACH'S PLANNING, MANAGEMENT AND COORDINATION AND THAT MOST ECONOMIC USE OF ALGERIAN GAS RESOURCES IS TO RECYCLE GAS FOR CONDENSATE AND SELL CONDENSATE AT DOLS. 16 A BARREL. PRITCHARD EXPECTS TO OBTAIN ABOUT 3.4 MILLION TONS, (RPT. 3.4 MILLION AND NOT ONE MILLION TONS AS REPORTED EARLIER (REF. A) OF CONDENSATE FROM 20 BILLION CUBIC METERS OF HASSI-R'MEL GAS. HUDSON PROJECT SHOULD OBTAIN MORE THAN 10 MILLION TONS OR OVER BILLION DOLLARS OF CONDENSATE EXPORTS A YEAR IF REALIZED. PARKER

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